

NZFUNDS

NZ Funds KiwiSaver Scheme

Other Material Information

20 September 2017

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1. BACKGROUND

This is an important document that provides you with additional information in relation to your investment in the NZ Funds KiwiSaver Scheme. It should be read together with the Product Disclosure Statement (PDS), Statement of Investment Policy and Objectives (SIPO) and any other documents held on the offer and scheme registers at www.companiesoffice.govt.nz/disclose.

This document has been prepared in accordance with the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 (FMC Act) and clause 52 of Schedule 4 of the Financial Markets Conduct Regulations 2014 (FMC Regulations).

In this document:

- the words 'you', 'your' or 'Member' refer to a person that invests in the Scheme;
- the words 'NZ Funds', 'we', 'us', 'our' or 'the Manager' refer to New Zealand Funds Management Limited as manager of the Scheme;
- capitalised terms have the meaning given to them in the Trust Deed (defined below), unless the context otherwise requires or the term is otherwise defined in this document;
- when we use the word 'current' or 'currently', in relation to legislation, policy, activity or practice we refer to these as at the date of this document. Any legislation, policy, activity or practice may be reviewed or changed without us notifying you.

The information in this document could change in the future. Please check the offer register at www.companiesoffice.govt.nz/disclose for any updates.

2. NZ FUNDS KIWISAVER SCHEME

The NZ Funds KiwiSaver Scheme (Scheme) is registered as a KiwiSaver scheme under the FMC Act. The Scheme is governed by an amended and consolidated trust deed dated 12 October 2016 (Trust Deed). You can get a copy of the Trust Deed from the scheme register at www.companiesoffice.govt.nz/disclose.

The Scheme offers four investment options for you to choose from: three funds (called the Income Strategy, the Inflation Strategy and the Growth Strategy) and a lifecycle investment option (called the LifeCycle Process).

The LifeCycle Process automatically allocates your investment across the three funds (Strategies) in the Scheme each year, depending on your age. The portion of your investment allocated to each Strategy will change over time. When you are younger, your investment will be largely in the Growth Strategy. As you get closer to retirement, more of your investment will automatically be allocated to the Inflation Strategy and the Income Strategy. More information on the LifeCycle Process and each Strategy is included in the PDS.

The LifeCycle Process is the default investment option. Your investment will automatically be allocated according to the LifeCycle Process, unless you decide to choose which Strategy or Strategies your contributions will be invested in (and the proportion to be invested in each Strategy) (called the MemberChoice Process).

3. THE MANAGER

About NZ Funds

NZ Funds is the manager of the Scheme.

We were granted a licence to act as the manager of registered schemes under the FMC Act by the Financial Markets Authority (FMA) on 17 May 2016. The licence has a five year term, subject to us maintaining the same or better standard of capability, governance and compliance as was the case when the FMA assessed our licence application. The licence is subject to the normal conditions imposed under the FMC Act and the FMC Regulations, and the standard conditions imposed by the FMA.

NZ Funds is wholly owned by Investment Group Holdings Limited (IGHL). IGHL is owned by interests associated with its directors and by the NZ Funds Executive Trustee Company Limited as trustee of the IGHL Trust, the beneficiaries of which are principally senior management of NZ Funds.

NZ Funds' directors

The current directors of NZ Funds are:

Gregory Bernard Horton (LLB (Hons), BCom) is an independent director and Chairman. Gregory was appointed a director of NZ Funds in May 2013. Gregory is a director of Harnos Horton Lusk Limited, a law firm based in Auckland. He has practised law both in New Zealand and overseas. Gregory has an indirect ownership interest in NZ Funds through the IGHL Trust.

Richard Stuart Taylor James (Dip. Bus. (Finance), Authorised Financial Adviser) is a director and Chief Executive of NZ Funds. Richard joined NZ Funds in 1993 and has worked in a number of areas within the business over that time. Richard became a director of NZ Funds in August 2006 and was appointed Chief Executive in 2009.

Richard is not an independent director as he is an employee of NZ Funds and has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

Michael John Lang (BA (Econ), LLB (Hons), CFA) is a director and Chief Investment Officer of NZ Funds, Head of Wealth at Work and Head of Private Wealth. Michael joined NZ Funds in 1993. He left to work overseas in 2003 and returned in 2008. Michael was appointed Chief Investment Officer in 2009 and became a director of NZ Funds in January 2010.

Michael is not an independent director as he is an employee of NZ Funds and has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

Gerald Noel Siddall (LLB) is a non-executive director of NZ Funds. Gerald has had 34 years' experience in the financial services industry in New Zealand and overseas. He co-founded NZ Funds in 1988 and was responsible for building and leading NZ Funds until 2009. He was previously a director of NZ Funds until March 2010. He was reappointed as a director of NZ Funds on 21 March 2016.

Gerald is not an employee of NZ Funds. He is not an independent director as he has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

Russell William Tills (BCom, ACA) is a non-executive director of NZ Funds. Russell has had 34 years' experience in the financial services industry in New Zealand and overseas. He joined NZ Funds in 1989 and along with Gerald Siddall, was responsible for building and leading NZ Funds until 2009. He was a director of NZ Funds until March 2010. He was reappointed as a director of NZ Funds on 21 March 2016.

Russell is not an employee of NZ Funds. He is not an independent director as he has a material indirect ownership interest in NZ Funds as the beneficiary of a trust.

The directors of NZ Funds may change from time to time without us notifying you. You can find the names of our directors at any time at www.companiesoffice.govt.nz/companies.

4. OTHER PARTIES

Supervisor

The New Zealand Guardian Trust Company Limited is the supervisor (Supervisor) of the Scheme. The Supervisor has been granted a licence by the FMA under the Financial Markets Supervisors Act 2011 to act as a supervisor in respect of debt securities and certain registered schemes, for a term expiring on 16 March 2018. Further information on the Supervisor's licence is available on the FMA's website at www.fma.govt.nz.

The current directors of the Supervisor are:

- Robin Albert Flannagan
- James Earl Douglas

The directors of the Supervisor may change from time to time without us notifying you. You can find the names of the Supervisor's directors at any time at www.companiesoffice.govt.nz/companies.

Administration Manager

Link Market Services Limited (Link) is the administration manager (Administration Manager) of the Scheme as we have delegated our administration functions (other than pricing functions) to Link. Link performs functions in relation to the day-to-day administration of the Scheme, including the admission of Members, receipt of contributions and maintaining the register of Members.

Auditors

The auditor of the Scheme is Ernst & Young. Ernst & Young is registered under the Auditor Regulation Act 2011.

Solicitors

The solicitors for the Scheme are Kensington Swan, Wellington.

5. SUPERVISOR AND MANAGER INDEMNITY

Unless it fails to meet the standard of care required by the FMC Act, if the Supervisor incurs any expense or liability in performing its functions for the Scheme then it is indemnified under the Trust Deed (and can be reimbursed) from Scheme assets to the full extent of such expense or liability and the costs of any proceedings in which the liability is determined.

The Manager is also indemnified from Scheme assets on the same terms.

Further information regarding the Supervisor's and the Manager's responsibilities and indemnities is set out in the Trust Deed.

6. JOINING AND CONTRIBUTING TO THE SCHEME

This section provides information about joining and contributing to the Scheme. Contributions and eligibility criteria for joining the Scheme are governed by the KiwiSaver Act 2006 (KiwiSaver Act) and may change in the future.

Joining the Scheme

The process for joining the Scheme is set out in the PDS.

You can join the Scheme if you are:

- A New Zealand citizen or entitled to be in New Zealand indefinitely;
- Living or normally living in New Zealand (with some exceptions); and
- Under the age of eligibility for New Zealand superannuation (currently 65) unless you are transferring from another KiwiSaver scheme.

6. JOINING AND CONTRIBUTING TO THE SCHEME (CONTINUED)

You will automatically join the Scheme if you are eligible to join KiwiSaver, are not already in a KiwiSaver scheme and your employer has chosen the Scheme as their preferred KiwiSaver scheme. If you have been automatically enrolled in the Scheme, you have the option to opt out of the Scheme between weeks two and eight of your membership.

Unless prevented by the KiwiSaver Act, we can accept or reject any application for membership in our discretion and no reasons are required to be given if any application is rejected. We may also defer accepting any application for membership by up to two Business Days (meaning any day other than a Saturday, Sunday or public holiday in Auckland).

Contributions

You can contribute to the Scheme in the following ways:

- For employees only, by payments via your employer through the PAYE system; and
- For all Members (including employees, self-employed and not employed), by regular or lump sum payments made directly to the Scheme or to Inland Revenue.

The KiwiSaver Act imposes a minimum contribution rate on Members who are in paid employment. Generally your employer will also contribute to your Scheme account and you may qualify to receive member tax credit contributions from the Government. Member, employer and Government contributions are discussed below.

Member contributions

How to contribute if you are an employee

If you are an employee, you can elect a contribution rate of 3%, 4%, or 8% of your before-tax salary or wages. If you do not elect a contribution rate, your contribution rate will be 3% (the current minimum employee contribution rate under the KiwiSaver Act). Your employer will deduct your contributions from your after-tax salary or wages and pay them to Inland Revenue who will forward them to the Scheme.

If you are new to KiwiSaver (i.e. the Scheme is your first KiwiSaver scheme), Inland Revenue will hold your first three months' contributions in an interest bearing account for three months. Inland Revenue then transfers your accumulated contributions, together with any interest, to the Scheme.

You can change your contribution rate at any time by telling your employer. Your new rate will apply from the next salary or wage payment after you have advised your employer. You can only change your contribution rate once every three months, unless your employer agrees otherwise.

If you are an employee, and are under the Qualifying Age (see page 8), you must contribute at the minimum employee contribution rate (currently 3%) unless you take a contributions holiday. Generally, after one year of membership, you can take a contributions holiday if you want to stop making contributions temporarily (see 'Contributions holiday' below).

Once you have reached the Qualifying Age, you may notify your employer to stop making contributions from your salary or wages.

As an employee, you can also make additional voluntary lump sum or regular contributions to the Scheme at any time (see 'Member voluntary contributions' below).

How to contribute if you are self-employed or not employed

If you are self-employed or not employed you can choose to make regular contributions or occasional lump sum contributions at any time (see 'Member voluntary contributions' below).

Member voluntary contributions

Any Member can make contributions to the Scheme by making lump sum payments or regular contributions. You are free to choose when and how much to invest. There is currently no minimum amount for voluntary lump sum or regular contributions. We will notify you if we introduce a minimum contribution amount.

If you choose to make regular contributions, you will need to complete the direct debit form at the back of the PDS. We may, in our discretion, accept alternative payment methods for regular contributions.

You can stop voluntary regular contributions at any time by notifying the Administration Manager.

If you choose to make lump sum contributions, payments can be made directly to the Scheme or to Inland Revenue. To make a payment directly to the Scheme, you will need to complete the lump sum contribution form and send it to the Administration

6. JOINING AND CONTRIBUTING TO THE SCHEME (CONTINUED)

Manager. This form is available on our website at www.nzfunds.co.nz. To make a payment through Inland Revenue, this can be made at a Westpac branch, by internet banking, or by cheque. For more on how to make payments through Inland Revenue, go to www.kiwisaver.govt.nz.

Employer contributions

You may be eligible to receive compulsory employer contributions if you:

- Are an employee and contributing to the Scheme through your salary or wages;
- Are aged 18 years or older; and
- Have not reached the Qualifying Age.

After you reach the Qualifying Age, you can keep contributing through your salary or wages. However, your employer will not be required to continue to contribute (although they may choose to do so).

Compulsory employer contributions are made at the rate set out in the KiwiSaver Act from time to time. Currently, the compulsory employer contribution rate is 3% of your before-tax salary or wages.

Your employer does not have to make compulsory employer contributions to the Scheme if you are not contributing (for example, if you are taking a contributions holiday or are on leave without pay). In addition, the amount of compulsory employer contributions may be reduced by any amount that your employer is required to contribute to a complying superannuation fund or certain other retirement schemes, for your benefit. Your employer will tell you if these reductions apply to you.

Your employer may choose to make voluntary employer contributions to the Scheme at any time over and above the compulsory employer contribution rate.

All employer contributions will be subject to employer's superannuation contribution tax (ESCT) which is deducted from the employer contributions before these are forwarded to the Scheme (see section 13 'Taxation' on page 18).

Government contributions (member tax credits)

If you are eligible, the Government will make a member tax credit contribution to your Scheme account at the rate of 50c for every dollar you contribute to the Scheme up to a maximum of \$521.43 per year (equivalent to approximately \$10.00 per week). In order to qualify for the full \$521.43 member tax credit each year, you need to contribute at least \$1,042.86 to the Scheme each year.

These member tax credits are based on your period of membership in the Scheme commencing 1 July and ending 30 June in the following year. Member tax credits will be paid annually, and will be pro-rated for any period of membership that is less than 12 months within the relevant membership year.

You are eligible for member tax credits if you are:

- Aged 18 years or older;
- Have not reached the Qualifying Age; and
- Live (or normally live) in New Zealand (subject to some exceptions).

If you contribute to a complying superannuation scheme as well as to the Scheme, the member tax credits will go to the scheme that applies for the member tax credits first. Any remaining member tax credit entitlement will be paid to the other scheme when they apply.

The amount of member tax credits available is set out in legislation. If the legislation is changed, the entitlement and amount of member tax credits may change.

Contributions holiday

If contributions are being deducted from your salary or wages, you can apply to Inland Revenue for a contributions holiday. This means that your employer will stop deducting contributions from your pay. You can take a contributions holiday of between three months and five years. Generally, at least 12 months must have passed since Inland Revenue received your first KiwiSaver contribution before it can grant you a contributions holiday. If you are suffering, or likely to suffer, financial hardship before that time, Inland Revenue may grant you an early contributions holiday of three months (or a longer period, if Inland Revenue agrees).

6. JOINING AND CONTRIBUTING TO THE SCHEME (CONTINUED)

You can apply for a new contributions holiday once your contributions holiday period expires and there is no limit to the number of times you can apply for a contributions holiday.

It is important to note that while you are on a contributions holiday, your employer can also suspend any compulsory contributions it is making on your behalf.

You can end a contributions holiday at any time by telling your employer that you would like to start making contributions from your salary or wages again.

7. WITHDRAWING FROM THE SCHEME

This section provides information about withdrawals from the Scheme. Withdrawals are governed by the KiwiSaver Act and may change in the future.

The table below shows the main types of withdrawals and what you can withdraw. Further information on each of these withdrawals is provided below.

WITHDRAWAL TYPE	MEMBER CONTRIBUTION	EMPLOYER CONTRIBUTION	GOVERNMENT CONTRIBUTION (MEMBER TAX CREDITS)	\$1,000 KICK-START (IF APPLICABLE)*	AMOUNTS TRANSFERRED FROM AN AUSTRALIAN COMPLYING SUPERANNUATION FUND
Qualifying Age	✓	✓	✓	✓	✓
First home purchase**	✓	✓	✓	-	-
Significant financial hardship	✓	✓	-	-	✓
Serious illness	✓	✓	✓	✓	✓
Permanent emigration (other than to Australia)	✓	✓	-	✓	-
Permanent emigration to Australia (transfer only)	✓	✓	✓	✓	✓
Death	✓	✓	✓	✓	✓
Retirement withdrawal of Australian savings from age 60	-	-	-	-	✓

* You will only have received a \$1,000 kick-start contribution from the Government if you first joined KiwiSaver before 2.00pm on 21 May 2015.

** You must leave a minimum of \$1,000 and any amount transferred from an Australian complying superannuation fund in your KiwiSaver account after the withdrawal.

Withdrawals when you reach Qualifying Age

KiwiSaver is designed to help you save for your retirement. Under the KiwiSaver Act, unless you satisfy one of the early withdrawal criteria, you cannot withdraw from the Scheme until you reach the Qualifying Age.

The Qualifying Age is the later of:

- The age at which you become eligible for New Zealand Superannuation (currently 65); or
- The date on which you have been a member of a KiwiSaver scheme for five years, or if you transferred from a complying superannuation fund, five years after you joined that fund.

7. WITHDRAWING FROM THE SCHEME (CONTINUED)

Once you reach the Qualifying Age, you can withdraw some or all of your investment at any time. There is no obligation for you to withdraw when you reach the Qualifying Age.

If you make a full withdrawal after reaching the Qualifying Age, your account will be closed and you will no longer be a Member. You won't be able to re-join the Scheme or join any other KiwiSaver scheme.

Early withdrawals

You may apply to withdraw some or all of your investment before you reach the Qualifying Age in the following circumstances:

- First home purchase;
- Significant financial hardship;
- Serious illness;
- Permanent emigration (other than to Australia);
- Permanent emigration to Australia; or
- Death.

If you have transferred funds from an Australian complying superannuation fund to a KiwiSaver scheme you can withdraw that amount when you reach age 60 and satisfy the 'retirement' definition in Australian legislation. The amount you can withdraw excludes any returns on the amount transferred.

First home purchase

You can apply to withdraw some of your investment to purchase a first home in New Zealand if you meet all of the following:

- You have belonged to a KiwiSaver scheme or complying superannuation fund for a total combined period of at least three years (or at least three years have passed since the first contribution in relation to you was received by Inland Revenue);
- The property you are going to purchase is, or is intended to be, your principal place of residence;
- You have never held an estate in land (i.e. owned a property or land before); and
- You have not made a withdrawal from a KiwiSaver scheme for the purchase of a first home before.

If you have owned a property or land before, you may still be able to apply for a first home withdrawal if Housing New Zealand confirms you are in the same financial position as a first time home buyer.

The same withdrawal can be made to purchase a dwellinghouse on Maori land.

You must leave a minimum of \$1,000 in your KiwiSaver account after the withdrawal. Savings transferred to your account from an Australian complying superannuation fund cannot be withdrawn with this type of withdrawal (though investment earnings received on those savings after the transfer can be withdrawn).

If your withdrawal application is accepted, you will continue to be a member of the Scheme and will still be able to make contributions to the Scheme.

A first home grant may also be available to eligible Members who meet the relevant criteria determined by Housing New Zealand (more information on the KiwiSaver HomeStart Grant is available on the Housing New Zealand website at www.hnzc.co.nz).

Significant financial hardship

If the Supervisor is reasonably satisfied that you are suffering (or are likely to suffer) significant financial hardship and that reasonable alternative sources of funding have been exhausted, then you may withdraw some of your KiwiSaver savings. 'Significant financial hardship' is defined in the KiwiSaver Act and includes financial difficulties arising due to your inability to meet minimum living expenses or due to the cost of medical treatment for an illness or injury that you or your dependants suffer.

The Supervisor may direct that the amount to be withdrawn is limited to an amount that it considers is sufficient to alleviate the particular hardship, and you cannot withdraw any accumulated member tax credits or any \$1,000 'kick-start' contribution you have received. You will only have received a kick-start contribution from the Government if you first joined a KiwiSaver scheme (either the Scheme or another KiwiSaver scheme) before 2pm on 21 May 2015.

The Supervisor will require evidence from you that you have explored other reasonable alternative sources of funding and that these efforts have been unsuccessful. Further, you must supply the Supervisor with a statement setting out your assets and

7. WITHDRAWING FROM THE SCHEME (CONTINUED)

liabilities. These documents may need to be formally verified by oath, declaration or otherwise. The Supervisor may require medical evidence from you verifying any medical matters related to your application.

If your application is accepted, you will remain a member of the Scheme and will still be able to make contributions to the Scheme in the future.

Serious illness

If you are suffering from a serious illness, you may apply to the Supervisor to withdraw your entire investment. Serious illness means an injury, illness or disability that:

- Results in you being totally and permanently unable to engage in work for which you are suited by reason of experience, education, or training, or any combination of those things; or
- That poses a serious and imminent risk of death.

The Supervisor will require medical evidence from you to support your application to withdraw for reasons of serious illness. Any other documents or information provided in support of your application may also need to be formally verified by oath, declaration or otherwise.

Permanent emigration (other than to Australia)

If you move overseas and do not intend to return to New Zealand to live, you may apply to withdraw your investment (less the member tax credits and any amounts transferred from an Australian complying superannuation fund, though investment earnings received on those amounts can be withdrawn) one year after you have permanently emigrated.

We will require proof from you that you have permanently emigrated from New Zealand, including confirmed travel arrangements, passport evidence, evidence of any necessary visas and proof that you have resided at an overseas address at some time during the year following your departure from New Zealand. These documents may need to be formally verified by oath, declaration or otherwise.

Permanent emigration to Australia

If you permanently move to Australia, you can transfer your investment in the Scheme to an Australian complying superannuation fund that agrees to accept the transfer.

Please contact us or the manager/administrator of your Australian complying superannuation fund to find out how to transfer your funds to Australia. We will require proof from you that you have permanently emigrated to Australia, including confirmed travel arrangements, passport evidence, evidence of any necessary visas and proof that you have resided at an Australian address at some time during the year following your departure from New Zealand. These documents may need to be formally verified by oath, declaration or otherwise.

A fee is charged by the Administration Manager for transfers to Australian complying superannuation funds (see page 14).

Death

If you die while a member of the Scheme, your personal representatives (that is, the executors or administrators of your estate) may apply to withdraw the balance of your investment in the Scheme which will be paid to your estate. If your savings are less than a prescribed minimum amount (currently \$15,000) and the requirements of the Administration Act 1969 are met, we may pay the balance of your investment direct to a permitted recipient specified in that Act upon application.

Other withdrawals

Tax liability and student loan obligations

You may be able to make a withdrawal to meet any New Zealand tax liability or additional student loan repayment obligation that has arisen as a result of you transferring funds to a KiwiSaver scheme from an overseas superannuation scheme (other than an Australian complying superannuation fund). You must apply within two years after Inland Revenue assesses that tax liability or additional repayment obligation. Further, you will need to provide us with a statement setting out details of the transfer and the resulting liability.

In the case of a withdrawal to meet tax liabilities, the amount withdrawn cannot exceed the lesser of your tax liability arising from the transfer and your total tax liability for the relevant tax year. In the case of a withdrawal to meet student loan repayment obligations, the amount withdrawn cannot exceed the amount of your obligation. You also will not be able to withdraw any

7. WITHDRAWING FROM THE SCHEME (CONTINUED)

accumulated member tax credits or any kick-start contribution you have received.

The withdrawal might in some cases trigger a foreign tax liability. If you are considering making a transfer into the Scheme from an overseas superannuation scheme we recommend you consult a professional tax adviser.

Other Acts

We and the Supervisor will comply with the provisions of any legislation or Court order that requires us to release some or all of your investment from the Scheme, for example in relation to the Property (Relationships) Act 1976.

Withdrawing member tax credits

You will not be able to withdraw member tax credits (ignoring any investment returns on those credits):

- Before you (or your personal representative or a relevant person under section 65 of the Administration Act 1969) give us a statutory declaration stating, to the best of your (or their) knowledge, the periods for which your principal place of residence is in New Zealand; and
- To the extent we have notice that your claim for a member tax credit is wrong.

Transfers

You may transfer to the Scheme from another KiwiSaver scheme or permitted retirement scheme at any time. You may also transfer to another KiwiSaver scheme at any time by contracting directly with the provider of that scheme. As you may only be a member of one KiwiSaver scheme at a time, you must transfer your entire balance to your new KiwiSaver scheme.

If your investment in the Scheme includes amounts transferred from a United Kingdom pension scheme, an early withdrawal or a transfer to another KiwiSaver scheme may have United Kingdom tax implications. We recommend you consult a professional tax adviser before you make any decision to transfer your investment or make an early withdrawal. None of the parties involved in the Scheme will be responsible for any tax consequences arising from the transfer (or from any subsequent early withdrawal).

Ceasing to be a Member

You cease to be a member of the Scheme when:

- You withdraw your full account balance from the Scheme in accordance with the KiwiSaver Act; or
- You transfer from the Scheme to another KiwiSaver scheme or any other permitted superannuation scheme; or
- You receive a notice from us that your membership is terminated because the balance of your account has reached zero, whichever occurs first.

8. OTHER KEY TERMS

Set out below is a summary of other relevant terms of the Scheme. The Trust Deed contains further terms that govern the Scheme. For more detailed information, please see the copy of the Trust Deed available on the scheme register at www.companiesoffice.govt.nz/disclose.

Valuation

Unit prices are calculated by reference to the net asset value of the relevant Strategy at the time, divided by the number of units on issue in the Strategy. The net asset value of a Strategy means the value of the assets of the Strategy less the liabilities attributable to that Strategy. The Trust Deed sets out the principles that apply to the valuation of a Strategy's assets and the determination of liabilities attributable to a Strategy. We generally calculate the net asset value of a Strategy each Business Day (this is called a Valuation Day).

We may determine valuation methods and policies for each category of asset and change them from time to time provided the Supervisor approves such valuation methods and policies and we notify the Supervisor of any changes made. Our policy permits the use of estimates in asset valuations, for example, where assets are illiquid or infrequently traded.

8. OTHER KEY TERMS (CONTINUED)

In determining the unit price on the issue of units, if we consider it appropriate and subject to the KiwiSaver Act, we may deem the net asset value of the relevant Strategy to be increased by an amount equal to our estimate of the costs that would have been incurred if the assets of the Strategy had been acquired on the relevant Valuation Day (or any lesser amount). Similarly, in determining the unit price on the redemption of units, if we consider it appropriate and subject to the KiwiSaver Act, we may deem the net asset value of the relevant Strategy to be reduced by an amount equal to our estimate of the costs that would have been incurred if the assets of the Strategy had been disposed of on the relevant Valuation Day (or any lesser amount). We currently do not apply transaction costs in determining the unit price.

Withdrawal payments

Withdrawals will be processed at the unit prices on the next Valuation Day following the day on which a determination is made that the withdrawal can be paid. Withdrawal proceeds are normally paid to your nominated bank account within 35 days of the withdrawal request being received and processed by the Administration Manager.

Suspension powers

In certain circumstances we may give notice to the Supervisor and suspend the calculation of net asset value, withdrawals, or transfers to or from the Scheme or any Strategy. This includes where we believe that it is not practicable or would be prejudicial to the interests of any Members to allow withdrawals or transfers to or from the Scheme or a Strategy, or to calculate the net asset value of a Strategy. The period of suspension cannot be longer than 10 days unless we get the prior agreement of the Supervisor.

Borrowing

The Strategies do not currently borrow to invest - that is, the Strategies do not borrow money from a bank or other lender under a loan facility agreement for the purpose of investing (excluding ongoing operational agreements with service providers such as overdraft facilities and creditor relationships).

Under the Trust Deed, we may direct the Supervisor to borrow on behalf of the Scheme and give security in respect of any borrowing over all or any part of the assets of the Scheme. There is no limit under the Trust Deed on the amount of borrowing for the Scheme.

Termination or alteration of a Strategy

We may terminate, close or alter the nature of any Strategy, or amalgamate any two or more Strategies, on such terms and conditions as we think fit after giving prior written notice to the Supervisor. These terms and conditions may include a provision that any Member not consenting within a reasonable period of time to such termination, closure, alteration or amalgamation, or to any consequential transfer to another Strategy or Strategies, shall be regarded as no longer eligible to be a member of the Scheme and shall be required to transfer to another KiwiSaver scheme in accordance with section 50(4) of the KiwiSaver Act.

Winding-up/insolvency

We may decide to wind-up the Scheme. If the Scheme is wound up or becomes insolvent, the assets of the Strategies will be sold and the proceeds applied first to meet the claims of any creditors. After payment of all creditors, your share of what remains will be transferred to another KiwiSaver scheme chosen by you (and if you do not choose, then Inland Revenue will transfer you to a default KiwiSaver scheme in accordance with the KiwiSaver Act). We can postpone the sale of any assets of a Strategy for as long as we reasonably consider doing so is desirable in the interests of Members.

You are not liable to pay money to any person as a result of the insolvency of the Scheme, other than any PIE tax attributable to you (see section 13 'Taxation' on page 19).

Indemnity for tax liability

You indemnify the Supervisor and us for tax paid on income attributed to you by the Scheme. This indemnity only applies if your interest in the Scheme is not sufficient to meet any tax liability on income attributed to you (see section 13 'Taxation' on page 19).

Changes to Trust Deed

Subject to the KiwiSaver Act and the FMC Act, we may agree with the Supervisor to amend the Trust Deed. The Supervisor must be satisfied that the amendment does not have a material adverse effect on Members (unless affected Members approve the amendment by special resolution). The Trust Deed can also be amended in accordance with any other applicable legislation (such as the Financial Markets Supervisors Act 2011).

9. ADDITIONAL INFORMATION ABOUT FEES

Management fee

We are entitled to charge each Strategy a management fee. Management fees are fixed as a percentage of the gross asset value (i.e. total assets) of the Strategy. The current management fees (estimated as a percentage of net asset value) are disclosed in the PDS. Management fees are accrued daily and paid to NZ Funds monthly in arrears.

We may change the management fee at any time provided we give prior notice to the Supervisor and that the altered fee is reasonable.

We may decide to charge a Member, or group of Members (including, without limitation, any group of Members advised by a financial adviser), lower management fees than currently disclosed in the PDS or we may decide to rebate all or a proportion of our management fees for that Member or group of Members.

Supervisor fee

The Supervisor is entitled to charge a fee for its services. The Supervisor's fee for each Strategy is currently up to 0.04% per annum of the gross asset value of the Strategy, and is subject to a minimum of \$25,000 across all of the Strategies. Supervisor fees are accrued daily and paid by the Strategy monthly in arrears. Estimates of Supervisor fees are included within 'administration charges' in the PDS.

The Supervisor may, with our prior consent, change the Supervisor fee at any time, subject only to the requirement that the altered fee must be reasonable.

Expense reimbursement

The Trust Deed allows us, the Supervisor, and any parties that may be appointed by us or the Supervisor to be reimbursed for all expenses properly incurred while carrying out our respective duties in relation to the Scheme. This expense reimbursement is paid out of the assets of the relevant Strategy. Estimates of expense reimbursement are included within 'administration charges' in the PDS.

Professional fees

The Strategies may incur professional fees such as fees for legal, accounting and audit services. The Trust Deed allows these professional fees to be paid out of the assets of the relevant Strategy as expenses. Estimates of these fees are included within 'administration charges' in the PDS.

Underlying fund fees

The Strategies currently invest in wholesale funds managed by us (Wholesale Trusts). These Wholesale Trusts incur fees and expenses. Some of these fees and expenses are paid to us and entities associated with us (see below for more information). The Strategies and Wholesale Trusts may also invest in other funds managed by external specialist investment managers which may charge fees including entry fees, exit fees, management and performance fees, and incur expenses. The returns of a Strategy in which you are invested will be indirectly affected by these underlying fund fees and expenses.

Estimates of underlying fund fees and expenses net of rebates or contributions by NZ Funds (excluding external manager performance fees which are disclosed separately) are included within 'administration charges' in the PDS.

Wholesale Trusts and fees payable to NZ Funds and its associated entities

The Wholesale Trusts may be either New Zealand or Australian unit trusts. New Zealand Funds Superannuation Limited (NZFSL), a wholly-owned subsidiary of NZ Funds, is currently the trustee of the New Zealand Wholesale Trusts. Global Investment Services Limited (GISL), a wholly-owned subsidiary of IGHL, is currently the trustee of the Australian Wholesale Trusts. NZFSL and GISL are each entitled to charge a trustee fee for the services they provide as trustee of the Wholesale Trusts. The current trustee fee charged by NZFSL is \$100,000 per annum across all of the New Zealand Wholesale Trusts. The current trustee fee charged by GISL is AUD100,000 per annum across all of the Australian Wholesale Trusts. These fees may be altered by agreement between the relevant parties without us notifying you.

NZ Funds acts as manager of the New Zealand Wholesale Trusts and as investment manager of the Australian Wholesale Trusts. New Zealand Administration Services Limited (NZAS), a wholly-owned subsidiary of NZ Funds, acts as the administration manager of the Wholesale Trusts. Both NZ Funds and NZAS are entitled to charge a fee for the respective services they provide for the Wholesale Trusts. However, these fees indirectly incurred by the Strategies are currently rebated by NZ Funds (so these fees will not affect your returns).

9. ADDITIONAL INFORMATION ABOUT FEES (CONTINUED)

In addition to the above fees, we and our associated entities are entitled to be reimbursed from the Wholesale Trusts for expenses incurred in carrying out our respective duties in relation to the Wholesale Trusts. However, we and our associated entities currently meet all ordinary expenses from the fees we receive and do not charge these expenses to the Wholesale Trusts. If extraordinary or unusual expenses are incurred, these may be charged to the Wholesale Trusts.

All fees paid by the Wholesale Trusts to us and our associated entities are on arms' length terms (or terms less favourable to us as the related party) and meet the requirements governing related party transactions set out in the FMC Act.

Basis for estimates of fund charges in PDS

The annual fund charges in the PDS include estimates of management fees, Supervisor fees, professional fees, expense reimbursement and underlying fund fees and expenses (including external manager performance fees).

Estimates of external manager performance fees are discussed separately below. Other estimates are based on the assumption that the ongoing level of these charges, as a percentage of the net asset value of the relevant Strategy, will be similar to those charged in the most recent financial year for the Scheme.

Actual annual fund charges for each Strategy for the most recent year are available in the latest fund update. You can get a copy of the latest fund updates from our website at www.nzfunds.co.nz.

External manager performance fees

The annual fund charges in the PDS include estimates of performance fees that may be charged by underlying specialist investment managers. A performance fee is typically only charged by a specialist investment manager when its investment return outperforms either a benchmark or a performance hurdle (which may be 0%).

Estimates of external manager performance fees in the PDS are based on annualised average returns of certain hedge fund indices over the five years to 30 April 2017. Assumptions on the percentage of each Strategy invested in external managers that charge performance fees are based on the Strategies' historical external manager allocations.

Past performance is not indicative of future performance and the estimates are not intended to indicate any expected returns or fees. In addition, the specialist investment managers and the Strategies' allocation to those managers will change from time to time. Actual performance fees will depend on the managers selected, their performance, and the Strategies' allocation to those managers, and will vary from the estimates.

Other charges

Administration fee

The Administration Manager currently charges a fee of \$3.00 per month to you for the administrative services it performs for the Scheme. This fee is deducted directly from your investment in the Scheme.

Individual action fees

The information in this section forms part of the PDS for, and each quarterly fund update for, the Scheme.

Australian complying superannuation fund transfer fee

The Administration Manager currently charges a fee of \$100.00 for transferring your investment in the Scheme to an Australian complying superannuation fund. This fee is deducted from the amount transferred.

Financial adviser fees

Your financial adviser may charge fees for financial advisory services they provide, together with implementation and withdrawal fees. These fees, including how and when the fees are payable, should be agreed between you and your financial adviser before an investment is made. Details of these fees are required to be set out in your financial adviser's disclosure statement.

We may charge a fee for financial advisory services provided by a NZ Funds' financial adviser, which will be set and payable in the same way as above.

Entry, exit and switch fees

We do not currently charge contribution (entry) fees, redemption (exit) fees or switching fees. However we may introduce such fees at any time without notifying you.

9. ADDITIONAL INFORMATION ABOUT FEES (CONTINUED)

GST

All fees are stated exclusive of GST or other similar tax. This means that if any GST or other similar tax is payable on any fee, that tax will be payable in addition to the amount of the fee.

Contribution to fees

We may in our discretion and from our own funds, reduce, pay, contribute to or rebate some of the fees and expenses discussed in this section.

Administration payments and commissions

We may pay financial advisers an administration payment to assist them with the costs associated with providing financial advice to you. We may also pay your financial adviser a commission of up to 0.20% per annum of the account balances of Members introduced into the Scheme by them. Any such payments or commissions will be made by us out of our own funds and we are not entitled to be reimbursed from the Strategies for these payments.

10. ECONOMIC EXPOSURE

This section provides additional information on the Strategies' economic exposure and should be read in conjunction with the PDS.

Economic exposure is a measure developed and used by NZ Funds to illustrate the aggregate exposure that a Strategy has to the various asset classes it is invested in. Economic exposure is calculated using NZ Funds' methodology which sets out how each investment type (including each derivative type) is treated when calculating economic exposure. Some examples are included below. For more information on our methodology, please contact NZ Funds. NZ Funds may change its methodology from time to time without notifying you.

Strategy economic exposure: Years ending 31 March 2015 – 31 March 2017

The following table shows the range of each Strategy's economic exposure during the years ended 31 March 2015, 2016 and 2017.

STRATEGY	2015	2016	2017
Income Strategy	100% - 102%	100% - 110%	100% - 117%
Inflation Strategy	100% - 117%	102% - 166%	107% - 168%
Growth Strategy	129% - 180%	108% - 216%	138% - 207%

Where economic exposure exceeds 100%, this means the aggregate exposure of the Strategy is greater than the Strategy's net asset value and generally (but not always) means the Strategy is leveraged. A common difference is purchasing an investment denominated in a foreign currency does not require leverage, however, the foreign currency exposure would be included as additional exposure in NZ Funds' economic exposure calculation (as illustrated in example three below).

NZ Funds currently limits the economic exposure for the Income Strategy and the Inflation Strategy to an amount of 300% (or three times the Strategy's net asset value). There is no limit on economic exposure for the Growth Strategy.

The economic exposure of each Strategy changes frequently and changes can be material. Each Strategy's economic exposure is published monthly in NZ Funds' 'Portfolio Insights' document which is available on our website at www.nzfunds.co.nz.

10. ECONOMIC EXPOSURE (CONTINUED)

Examples of economic exposure calculation

The following examples provide an illustration of how certain investments are treated when calculating economic exposure, and where the use of derivatives results in leverage and where it does not.

- **Example 1: Derivative used, economic exposure = 100%, no leverage**

A Strategy holds 100% cash and purchases a New Zealand share market index future (a derivative) to gain an index exposure to New Zealand shares. If the derivative provides an exposure of 90%, the economic exposure of the Strategy will be 100% (10% to cash and 90% to New Zealand shares via the derivative). The cash exposure is reduced as this is treated as a component of the derivative. In this example, the use of a derivative does not result in economic exposure of the Strategy exceeding 100% and the Strategy is not leveraged.

- **Example 2: Derivative used, economic exposure > 100%, leverage**

A Strategy holds 100% New Zealand bonds and purchases a New Zealand share market index future (a derivative) to gain an index exposure to New Zealand shares. If the derivative provides an exposure of 90%, the economic exposure of the Strategy will be 190% (100% to New Zealand bonds and 90% to New Zealand shares via the derivative). The bond exposure is not reduced as this is a different asset class. In this example, the use of a derivative results in economic exposure of the Strategy exceeding 100% and the Strategy is leveraged.

- **Example 3: No derivative used, economic exposure > 100%, no leverage**

A Strategy holds 100% Australian shares (denominated in Australian dollars) where the currency exposure is not hedged back into New Zealand dollars. The economic exposure of the Strategy will be 200% (100% to Australian shares and 100% to the Australian dollar/New Zealand dollar exchange rate). In this example, economic exposure of the Strategy exceeds 100%, however, no derivative is used and the Strategy is not leveraged.

11. RISKS

Every investment has risks. The primary risks of investing in the Scheme include:

- Not getting back some or all of your money;
- Not getting the returns you expected;
- Not being able to withdraw from the Scheme when you want to; and
- Experiencing periods where your returns are negative.

The following information supplements section 4 of the PDS – “What are the risks of investing?”. In the PDS, we set out what we believe are the more significant risks that apply to investing in the Scheme. In addition to the general investment risks and other specific risks set out in the PDS, there are other risks associated with the Scheme that could impact your investment (discussed below). If any of these risks eventuate, you could receive back less than you invested.

No rate of return or repayment of your investment is guaranteed by the Supervisor, NZ Funds, or any other person.

General investment risks

In the PDS, we set out some of the general investment risks that apply to investing in the Scheme. The following provides some examples of the different types of risk that contribute to market risk.

Currency risk

The Strategies' unit prices are denominated in New Zealand dollars but the Strategies may be exposed directly or indirectly to foreign currencies or investments denominated in foreign currencies. Currency risk is the risk that a Strategy's returns may be affected by changes in the value, or terms, of a currency.

Interest rate risk

Interest rate risk is the risk that a Strategy's returns may fluctuate as a result of changes in interest rates.

1.1. RISKS (CONTINUED)

Credit risk

Credit risk is the risk that an issuer of a security may fail to pay interest or principal when due.

Equity risk

Equity risk is the risk that a Strategy's returns may fluctuate as a result of changes in the value of its equity investments. An equity investment may be affected by many factors, including the performance of the relevant company, market opinion, and the economic performance of the country or sector.

Political risk

Political risk is the risk that a Strategy's returns may fluctuate as a result of political changes or instability in a country. This could arise from a change in government, legislative bodies, other foreign policy makers, or military actions. Political risk may also arise as a result of geo-political events such as wars, terrorist acts and tensions between states.

Other risks

Counterparty risk

Counterparty risk is the risk that a counterparty to a contract fails to meet its obligations under the contract, causing loss to a Strategy or a delay in payment.

Operational risk

The Scheme may be exposed to operational risks that result from external events or failure of internal or external processes, people, policies, technology or systems (for example, a material error in the pricing process). Operational risk may adversely affect the Scheme or any Strategy.

Cybersecurity risk

Cybersecurity risk is the risk of attack, damage or unauthorised access to NZ Funds' networks, computers, programs or data. If this occurs, the Scheme or any Strategy may be adversely affected.

Service provider risk

A range of parties are involved in the operation of the Scheme (including the Supervisor, the Manager, the trustee and custodian of the Wholesale Trusts, underlying specialist investment managers, settlement and trade counterparties, investment brokers and banks). Service provider risk is the risk that any of these parties fail to perform their obligations. If this occurs, the Scheme or any Strategy may be adversely affected.

Wholesale Trust investment risk

The Strategies invest in Wholesale Trusts (with the current exception of cash and cash equivalents and derivatives). Wholesale Trust investment risk is the risk that if an adverse event occurs at the Wholesale Trust level or the Wholesale Trusts are wound up, the Strategies may be adversely affected.

Valuation risk

The Strategies' unit prices are based on market price information. Valuation risk is the risk that the market fails to provide an accurate price, or any price whatsoever. If this occurs, the Strategies may be adversely affected.

Suspension of withdrawals risk

In certain circumstances, we have the ability to suspend or partially suspend withdrawals from the Scheme or any Strategy. If this occurs, you may not be able to withdraw or switch your investment when you would otherwise be entitled to.

Risk of losing PIE tax status

The Scheme is currently a Portfolio Investment Entity (PIE). If the Scheme elects to surrender its PIE tax status, we will give you prior notice. However, it is possible that the Scheme ceases to be a PIE without election. If the Scheme loses its PIE tax status, your after-tax benefit from investing in the Scheme may be reduced and/or the Scheme may be adversely affected.

Tax risk

Income, dividends and interest, and gains on securities and investments in which the Strategies invest may be subject to taxes (including withholding taxes) imposed by tax authorities in New Zealand or other jurisdictions, now or in the future. The Strategies may not be able to claim a credit for any taxes imposed. Tax risk may adversely affect the Strategies.

11. RISKS (CONTINUED)

Regulatory risk

The Scheme, each Strategy, and its investments are subject to laws and regulations (including in relation to tax) in New Zealand and other jurisdictions in which the Strategies invest. Any changes to those laws and regulations may adversely affect the Scheme, a Strategy and/or its investments. Any changes to the laws and regulations governing the KiwiSaver regime may impact your investment (for example, a change to the KiwiSaver Act may affect minimum contribution rates or permitted withdrawals).

Insolvency risk

Insolvency risk is the risk of the Scheme or a Strategy becoming insolvent or being otherwise unable to meet its financial obligations. If this occurs, you may not recover the full amount of your investment.

The risks described in the PDS and this document are considered to be important risks, but do not cover all known risks of investing in the Scheme. There may also be other risks which are currently unknown that may affect an investment in the Scheme.

12. CONFLICTS OF INTEREST

NZ Funds has policies and procedures in place to identify and manage actual or potential conflicts of interest that may arise. The NZ Funds Conflicts of Interest Policy provides a framework for identifying, declaring and managing conflicts of interest. The policy also covers gifts and hospitality. The Conflicts of Interest Policy forms part of NZ Funds' broader conflicts of interest compliance and ethics frameworks.

The Conflicts of Interest Policy is complemented by NZ Funds' Personal Holdings Policy. The Personal Holdings Policy includes a prohibition against employees holding or trading in securities unless otherwise permitted by the policy or approved by the NZ Funds Board.

The NZ Funds Related Party Transactions Policy provides a framework for identifying and managing related party transactions (as defined under the FMC Act) and ensures that all related party transactions comply with the requirements of the FMC Act.

A conflict of interest that currently exists and affects every Strategy is the Strategies' investment in the Wholesale Trusts managed by us and where our associated persons provide trustee and/or administration services. We and our associated persons charge fees in respect of the services we provide to the Wholesale Trusts (see page 13 for more information on these fees). These fees will affect the value of the Wholesale Trusts and consequently affect the returns of the Strategies. This conflict of interest could materially influence the investment decisions in respect of the Scheme if non-arm's length fees were paid for these services. We manage this conflict by ensuring that all related party fee transactions comply with the requirements of the FMC Act and NZ Funds' Related Party Transactions Policy.

In addition to NZ Funds' policies and procedures described above, the FMC Act imposes statutory controls on conflicts of interest, including the following:

- We must, in exercising any power, or performing any duties, exercise the care, diligence and skill that a prudent person engaged in the profession of acting as manager of a registered scheme (as defined in the FMC Act) would exercise in those circumstances; act honestly in acting as manager; act in the best interests of Members; and treat Members fairly.
- We must not make use of information acquired through being the manager in order to gain an improper advantage for ourselves, or any other person, or cause detriment to Members.

The above statutory controls have, where appropriate, been built into NZ Funds' Conflicts of Interest Policy.

13. TAXATION

This section contains a general summary of the taxation implications of investing in the Scheme. It is based on current tax law and is subject to change. You are encouraged to seek professional advice before making an investment. We and the Supervisor do not take any responsibility for your particular tax position as a result of an investment in the Scheme.

Portfolio Investment Entities (PIEs)

The Scheme has elected to be a Portfolio Investment Entity (PIE) under the PIE rules. In order for you to benefit from the tax treatment described below, the Scheme must continue to comply with the PIE rules.

If PIE status is lost, the after-tax returns from your investment in the Scheme may be reduced.

The PIE rules allow you to effectively pay tax on your investment in the Scheme at a maximum tax rate of 28%.

The amount of taxable income or loss of the Scheme allocated to you is calculated daily and attributed to you on a quarterly basis, within five Business Days of the end of each quarter.

For a quarter in which there is tax to pay, the Scheme will cancel a number of your units to fund your tax liability and will then pay this amount to Inland Revenue.

If the Scheme receives a tax refund, it will allocate that refund to Members during that quarter on a daily basis, and attributed to them quarterly. Where you are a member in the Scheme at the time the refund is paid, the refund will be used to purchase additional units in the Scheme. If you are no longer in the Scheme at the time the refund is paid, your refund will either be paid to your new KiwiSaver Scheme or will be paid directly to you.

It is important to note that while the tax cost is effectively borne by Members it remains a liability of the PIE.

Prescribed Investor Rate (PIR)

You must elect a PIR and provide us with your IRD number. If you are not a New Zealand tax resident, you will not need to supply an IRD number, but you will need to advise your country of residence.

It is important that you select the correct PIR. To select your correct PIR you need to calculate your taxable income (which includes your worldwide income and may include income when you were not resident in New Zealand) and PIE income for each of the previous two income years (an income year is the period from 1 April in one year to 31 March the next year). The PIR applying to you is then determined based on the year which has the lower combined income amount.

The PIR rates for an individual are:

TAXABLE INCOME		TAXABLE INCOME + PIE INCOME	PIR
\$0 – \$14,000	AND	\$0 – \$48,000	10.5%
\$0 – \$14,000	AND	\$48,001 – \$70,000	17.5%
\$14,001 – \$48,000	AND	\$0 – \$70,000	17.5%
Over \$48,001	AND	Any amount	28.0%
Any amount	AND	Over \$70,000	28.0%

If you do not provide us with a PIR then income attributed to you will be taxed at 28%.

If you select a PIR that is too high, there is no ability under current law to obtain a refund for the excess tax paid. If you select a PIE tax rate that is too low, you may have to file a tax return and pay tax at your marginal tax rate (you will get a credit for tax paid on your behalf by the Scheme).

You can change your PIR at any time by completing a 'Notice to Change PIE Details' form. This form is available from us or your financial adviser.

Where you reduce your interests in the Scheme, fully withdraw from the Scheme or transfer your investment to another scheme, we can deduct from the amount withdrawn or transferred an amount equal to your PIE tax liability as at the date of the withdrawal or transfer.

13. TAXATION (CONTINUED)

If we do not do this, we are entitled to treat you as having a 0% PIR. If we have treated you as having a 0% PIR, you may be required to file a tax return and pay tax on the income allocated to you. Any tax paid by the Scheme on your behalf is available as a tax credit against your tax liability.

If the amount of tax on income attributable to you exceeds the value of your interest in the Scheme you may have to satisfy the tax liability directly to Inland Revenue. If NZ Funds or the Supervisor pays this tax liability, you indemnify us or the Supervisor for that amount.

Taxation of employer contributions

Employer contributions to the Scheme on behalf of a Member are subject to employer's superannuation contribution tax (ESCT). The whole amount of your employer's contribution to the Scheme will have ESCT deducted from it, at a rate up to 33% depending on the amount of your salary or wages as follows:

SALARY OR WAGES	ESCT RATE
not more than \$16,800	10.5%
between \$16,801 and	17.5%
between \$57,601 and	30.0%
exceeds \$84,001	33.0%

These rates may change in the future. For current rates, see Inland Revenue's website at www.ird.govt.nz.

14. PRIVACY AND USE OF YOUR PERSONAL INFORMATION

Privacy

The Privacy Act 1993 deals with how we store and use the personal information you provide to us in connection with your investment in the Scheme.

This information may be used by NZ Funds and the Supervisor (including their related entities) and shared with and used by your financial adviser and other service providers to the Scheme for the purposes of enabling NZ Funds and those service providers to arrange, manage and administer your investment, to contact you in relation to your investment and to provide you with newsletters and information about other products and services.

We may also use and share your personal information for the purposes of complying with any laws in New Zealand or another country, including using it to verify (whether by electronic means or otherwise) any identity information provided to us.

We may also share your personal information with relevant authorities, including the Financial Markets Authority and Inland Revenue. You have the right to access all personal information held about you in connection with your investment in the Scheme. If any of the information is incorrect, you have the right to have it corrected.

AML

Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, we are required to verify your identity and address and in some cases, the source of your funds and wealth.

If you complete the Application Form with a financial adviser, he or she may be able to verify both your identity and residential address as indicated in the Application Form.

If you are completing the Application Form without the assistance of a financial adviser, the identification documents can be certified by a 'trusted referee'. Again, further details regarding this certification process are contained in the Application Form.

Please note that we cannot process your application unless all requisite forms are completed correctly and accompanied by the appropriate information and documents.

14. PRIVACY AND USE OF YOUR PERSONAL INFORMATION (CONTINUED)

Change of personal details

If you wish to change your personal details, please complete a Changes in Client Details form. You can obtain this form from our website at www.nzfunds.co.nz.

15. MATERIAL CONTRACTS

The following is a summary of the contracts that we consider to be material in relation to the Scheme.

Trust Deed

The Trust Deed is an agreement between us and the Supervisor which came into effect on 1 November 2016. The Trust Deed governs the establishment and management of the Scheme and each Strategy. A copy of the Trust Deed is available on the scheme register at www.companiesoffice.govt.nz/disclose.

Management Agreement

We entered into a management agreement (Management Agreement) with the Supervisor dated 12 October 2016 (with an effective date of 1 November 2016) that sets out the arrangements between us and the Supervisor in relation to certain operational matters relating to the Scheme. The Management Agreement specifies the reporting and information to be provided by us to the Supervisor, the requirements for operating the Scheme's bank accounts, and record keeping.

Nothing in the Management Agreement limits or alters the powers of the Supervisor or our duties under the Trust Deed and applicable law. In the event of any inconsistency between the Management Agreement and the Trust Deed, the Trust Deed will prevail.

Deed of Novation of Administration Agreement

We entered into a deed of novation of administration agreement (Deed of Novation) dated 23 September 2016 with Aon New Zealand (Aon) and Link Market Services Limited (Link) under which Link was appointed as Administration Manager of the Scheme, in place of Aon, with effect from 1 November 2016.

16. ADDITIONAL INFORMATION ABOUT MARKET INDICES

Additional information about the market indices referred to in the SIPO for the Scheme can be found on the following web pages listed below:

S&P/NZX Investment Grade Corporate Bond Index Total Return	www.us.spindices.com/indices/fixed-income/sp-nzx-investment-grade-corporate-bond-index
Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged USD	www.bloomberg.com/quote/LGCPTRUU:IND
S&P/NZX Bank Bills 90 Day Index Total Return	www.us.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index
S&P/NZX 50 Portfolio Index Gross with Imputation	www.us.spindices.com/indices/equity/sp-nzx-50-portfolio-index
S&P/ASX Accumulation 200 Index	www.us.spindices.com/indices/equity/sp-asx-200
MSCI All Countries World Daily TR Net Local Currency	www.msci.com/acwi

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